3-9-2016

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1. INTRODUCTION

In this paper I will establish the hypothesis that the fluctuation of GDP depends on labor mobility. I base my hypothesis on the fact that economic research pointed out that the U.S. had the highest labor mobility among 7 advanced nations when the U.S. achieved the highest labor productivity growth rate[1] (thus the highest GDP growth rate). A nation with lesser labor mobility, such as Italy had a lower labor productivity growth rate, thus a lower GDP growth rate. Whether a nation's GDP grows faster or slower depends on its labor mobility based on the multination case study noted above. The mobility of labor is one of the most important factors which would cause GDP to fluctuate in the long run. This means that what prevents a nation's GDP from expanding continuously is the immobility of labor.

The purpose of this paper is to explain how true the above hypothesis is from a single nation's perspective using the U.S. economy as a case study. Stated differently, the purpose of this paper is to discover how an economic system operates in the U.S. in terms of labor mobility when an expansion of the GDP begins; at an initial expansion of the GDP, labor employment may be accommodated easily or labor is mobile, but the second and subsequent

[1] This research was conducted for 1995-2007. See R. Glenn Hubbard and Anthony Patrick, "*Macroeconomics*," 2nd (Updated edition), Prentice Hall, 325-26.

expansion of the GDP may not be accommodated by fluent labor mobility or be encountered with a serious immobility issue of labor, which I will elaborate upon in this paper.

In this paper, I will prove that labor immobility was the major factor which hindered the continuous expansion of GDP in the U.S. during the period following the Great Recession. Then what caused the labor to become immobile as the economy began to expand? I will answer this question upon in this paper.

2 WHY HAS RECOVERIES (after the Great recession) HAD A SHORT LIFE?

After the Great Recession of 2007-2009, the U.S. economy many times showed signs of powerful recovery. However, such powerful recoveries were short lived. What was the force which prevented the recovery? This force was the immobility of labor. I will provide support for this hypothesis in this paper.

Figure 1 below shows the fluctuation of GDP. As shown in Figure 1, every attempt to have rapid expansion lived a short life followed by a contraction of GDP growth or a slower growth rate of GDP. For example, a great expansion of GDP appeared at the fourth quarter of 2011. Then GDP growth rate contracted from the fourth quarter of 2011 into the fourth quarter of 2012, or the whole 2012 growth rate was contracted. Why did this contraction occur? This was because the district managers (or hiring managers) refused to accommodate the massive hiring of new workers. I claimed this was largely due to the activities of redistribution of power and income, an example of which was cited already as "Test taking requirements for new job applicants," which created labor immobility[2].

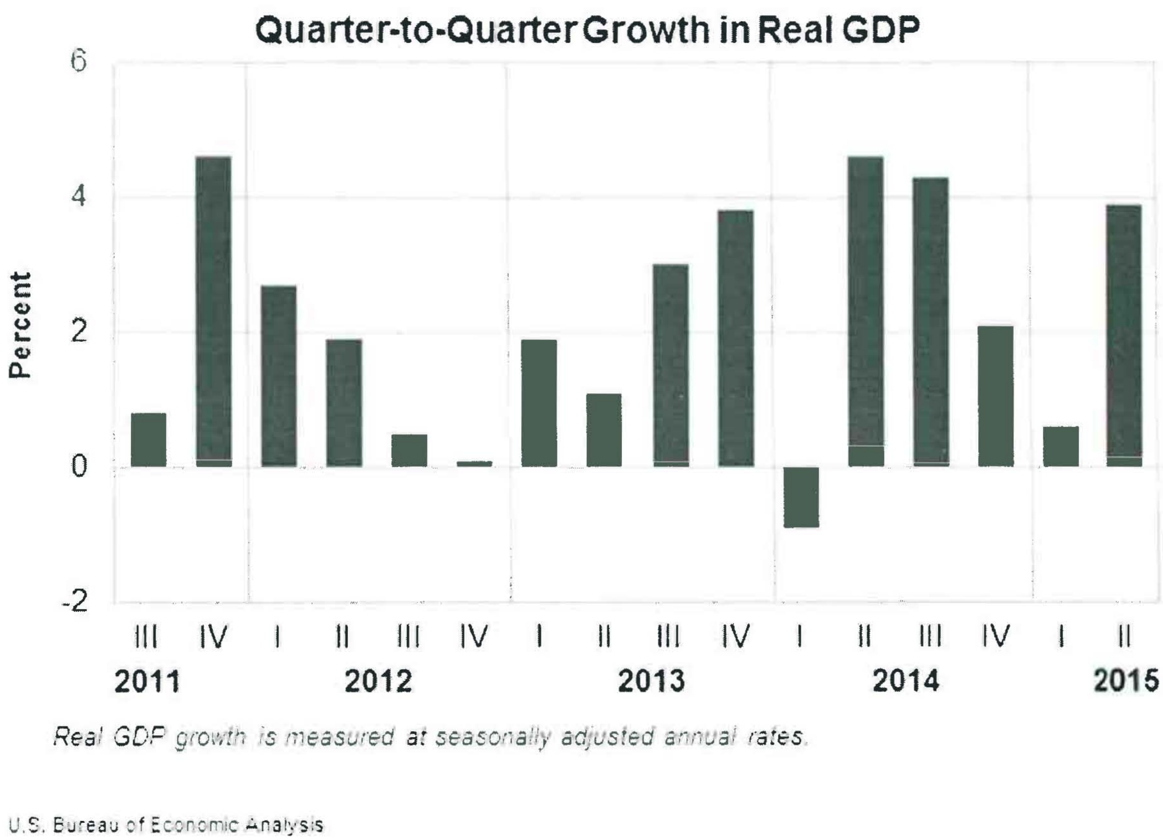

FIGURE 1

The next expansion began from the first quarter of 2013 until the second quarter of 2014 (with the first quarter of 2014 as an exception). Then the contraction began the third quarter of 2014 into the first quarter of 2015, which was a short contraction. Why have these contractions occurred? Again, this was due to the fact that the district (hiring) managers were

[2] See Paul Kim, "Right Perspective for the U.S. Economic Growth Rate." p.11-15. http://scholarspace.jccc.edu/econpapers/8 or see Google.

unwilling to carry out the hiring of the massive number of new workers in a short time, although they would pretend to be hiring a massive number of workers using "Test Taking Requirements" for new job applicants[3]. This created the immobility of labor.

3 Expansions of GDP

Every expansion of GDP (either due to technological advancement or innovation or an economic boom) must be facilitated by the highly efficient mobility of labor. Any expansion of GDP can be hindered, restrained, or stopped by restriction of labor mobility (or also mobility of some other resources, such lack of raw material, such as oil or other raw materials).

An initial expansion of GDP can be accommodated by the existing working force with some minor new work force, particularly in the service industry, and the mobility of labor is not an issue at the initial stage. In particular, in the service industry, some or many existing workers are not working at maximum capacity. These workers can be transferred to needed areas (often as a promotion) or they can stretch their work to full capacity, covering a bigger territory, if it is sale area when their operation is expanded. For example, when a pharmaceutical company puts a new drug into a market, their operation would expand, requiring a large number of sales forces in the market. At the initial stage, some of their needs can be met with the existing work force, as noted above. However, eventually, continuous expansion of their operation requires hiring a massive number of new workers.

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[3] See Paul Kim, "Right Perspective for U.S. Economic Growth Rate," p.11-15. http://scholarspace.jccc.edu/econpapers/8 or see Google.

The immobility of labor, however, would appear or become an issue when the secondary expansion or the continuous expansion of the operation is called, where a large number of new workers is needed. A massive hiring of new workers must facilitate the secondary expansion of the operation. However, district (hiring) managers were unwilling to accommodate a massive number of hiring new workers, thus creating immobility of labor.

Because a massive hiring of new workers could bypass the district managers to carry out the opportunity to carry out the activities of redistribution of power and income, the district managers would be reluctant to support such a plan. They would fear that the massive hiring of new workers in a short time would take their power and would not be conducive to carry out activities of redistribution of power and income. This is the reason why the immobility of labor would become a reality. Stated alternatively, hiring a massive number of new workers in a short time would hinder the way in which the district managers normally carry out the activities of redistribution of power and income. (We will discuss this issue in the next section.) The unwillingness to hire massive numbers of new workers by district managers becomes a critical issue, especially during the stagnant period of the economy such as 2007 - 2015 (or 1973 - 1994). So district managers devised various schemes, such as pretending to be hiring but not hiring new workers. This was the reason why "test taking requirements" for new job applicants were implemented to deter rapid hiring of new workers[4]. Thus, "the test taking requirement" at large or Fortune 500 corporations was an example of the activities which district managers were utilizing. They successfully utilized such instrument in 2011 through 2014

[4] See Paul Kim, "Right Perspective for U.S. Economic Growth Rate," p.11-15. http://scholarspace.jccc.edu/econpapers/8 or see Google.

even into the early part of 2015. It was extremely successful in 2011 and 2012, and even in 2013, not hiring massive numbers of new workers, which prevented the continuous expansion of GDP but led to the fluctuation of GDP.

In order to have the continuous expansion of GDP, we must not only have the continuous expansion of the operation of firms, but also must have massive hiring of new workers, especially in high wage industries. The increase in spending of the money which new workers have earned could have facilitated an economic boom. This is the area where, during post great recession, the U.S. failed to provide extra spending by hiring massive numbers of workers to facilitate an economic boom.

3. AMERICAN INSTITUTIONS

This paper is a part of the Asian Studies Program, which has had audiences from 52 countries (and 33 institutions) in the last one year according to Google report (Readership Report). Thus, it might be helpful to those readers if I provide some insight about the nature of American institutions, especially about Fortune 500 corporations that have national scale operations.

At each city, the firm appoints a district manager who is in charge of the operation of each city. A district manager is just like a head of a small corporation, and he or she carries out business, including hiring and firing workers. (A Fortune 500 corporation is a big corporation. But it acts or operates like a small corporation under a district manager, thus it operates in a highly efficient manner.) How each city works depends on the district manager, who is in charge of everything in that city. The main office at the home office cannot control each city's operation, but relies on the district manage, except they put a regional director to oversee each district manager (sometimes called the vice president). However, a regional director does not step into the daily operation of each city. The district manger is the boss or the head of the corporation at each city and carries out its daily operation. .

An American management system in a Fortune 500 corporation is operated under a system called a "gentleman's system" in that upper management such as a regional director or the home office staff, does not step into the district manager's daily operation, although the regional manager's job is to oversee the district managers' work. Thus, the district manager is the boss or head of the corporation at each city. This is a highly efficient system in corporate management and that is one of the reasons why American corporations have been successful in carrying out its operation. However, this highly efficient management system becomes a problem (as the nation gets wealthier and wealthier) when an issue of activities of redistribution of income and power becomes the center of the problem, which has appeared in the U.S., especially during the stagnant period such as the period of 2007-2016 (or 1973-1995).

A massive hiring of new workers in a short time is not conducive to carry out activities of redistribution of power and income from a district manager's point of view. Hiring is one area where a district manager plays a crucial role; he or she can make this to be a good portion of his or her important work. (Note that sometimes a manager has nothing important to do in his daily work.) Or during hiring time, a district manager can exercise his or her power and have a fun time. Or a hiring manager can earn a credit from other managers if he hires a new worker of their choice. But a massive hiring of new workers could bypass these processes and opportunity to carry out the activities of redistribution of power and income would be taken away.

During a prosperous period like 1995 through 2006, for example, a massive hiring of new workers was carried out by outside hiring agents appointed by the main office, bypassing the role of the district managers. This kind of hiring practice was carried out during the prosperity period because almost all other firms were hiring new workers and competition for getting new workers became visible. However, during the stagnant period (or even if the firm uses outside hiring agents, a district manager can reject their recommendation easily), the above kind of hiring practice (using outside agent) is difficult to justify, so there are abundant opportunities for the district manger to carry out activities of redistribution of power and income, thus micro management by the district manger becomes common. Here economists use the term, "Moral Hazard," a principal-agent problem, to theorize the above issue of activities of redistribution of income and power.

Therefore, during the stagnant stage, the district manger has an abundance of room to carry out the activities of redistribution of power and income, while doing his or her job to maximize the profit for its firm. And this is the stage where the firms would face the difficulty in hiring a massive number of new workers, which would cause the expansion of production to be short lived. This is the reason why GDP fluctuates, or cannot expand continuously or the expansion is short lived. I will investigate this critical issue next using a case study to highlight the mechanism of labor mobility. In another words, I will present case studies to show specific examples of how the district mangers acted to delay or hinder hiring of the massive numbers of workers when corporations began the expansion of their operation, thus creating immobility of labor.

After the publication of my article in April, 2015[5], "Test Taking Requirements" for new workers mostly vanished in 2015, so the type of the activities of redistribution of power and income has changed. Therefore, I will uncover the development of new type of activities of redistribution of power and income next. Those case studies are given so that we may understand the mechanism through labor immobility is created.

4 CASE STUDIES:

1) Oxford Corporation

Oxford is a start-up company, which hires and provides or supplies IT personnel to other corporations such as a pharmaceutical company. For example, if a pharmaceutical company is involved with a lawsuit from the federal government, it needs defending lawyers. Instead of having their legal departments provides defending lawyers, they look for help from outside, to companies such as Oxford. It is one of the fastest growing companies in the U.S. in recent years, although it is one of the smallest Fortune 500 corporations. It was a big hit when it started a new company as a subsidiary of a large Fortune 500 corporation. It was such a great success that it needed a massive number of new workers to expand its operation, but it could not hire additional new workers.

Here is an example. One of the branches of Oxford located in Fort Worth, Texas advertised for workers at the Carrier Fair in August 24 (TR),

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[5] See Paul Kim, "Right Perspective for U.S. Economic Growth Rate," p.11-15. http://scholarspace.jccc.edu/econpapers/8 or see Google.

2015. "Rich" was the hiring manager, who met a lady, name "Jenny," who used to work in a pharmaceutical company. It was a good match, and Rich and others were willing to interview her some time soon. Rich left a message next day on August 25(F) to Jenny to have a formal interview on the following Monday morning at 11:00 am.

Early Monday morning of the next week, Jenny had to send some application form to the main office (H.R. office in California) before the interview. Here, Jenny, while she was sending the application, encountered an unusual circumstance; she found some message from the main office to call the H.R. office lady. During their phone conversation, the lady from the H.R. office said to Jenny, "This position has been vacant for a long time," and she told Jenny that she wanted Jenny to get this job. She also gave a hint to Jenny what kinds of questions Jenny could ask Rich, so that she could get the job. Of course, this was secretly done between the home office H.R. personnel and a new applicant.

The above conversation between Jenny and the H.R. office, which is done behind the local hiring managers, reveals very critical information that hiring new workers in a large corporation involve highly complicated power struggles between two agencies. Increasing their number of workers is not a smooth or easy process. It could become a major stumbling block to hinder or stop the rapid expansion of the operation, which often comes to reality when new ideas or technology are developed.

There is a "disconnect" between the H.R. (or the firm) and the hiring manager, which economists were not aware of. In real life, there is a serious disconnect between the goal of the firm (or H.R. office) and of local managers, but economists were ignorant of this unique feature and ignored this critical issue in developing an economic theory. This disconnect becomes very serious, especially during the stagnant periods like 1973- 1994 or 1906-2015, during which activities of redistribution of power and income are intensified, and labor mobility was reduced. It may be a less-serious issue during a prosperous period like 1953-1973 or 1996-2006.

In the above story, the home office wants to expand its operation, hiring more or new workers like Rich, who was one of their successes. (By the way, Rich was the highest-paid worker in that firm with yearly earnings of $240,000; his yearly salary was $35,000, but the bonus made his earning exceptional).

The firm wanted to replicate Rich with new workers, but Rich wanted to retain his territory, or he did not want to give away his territory to new workers. Rich was one of the first groups, of new workers hired when the new corporation started. There was no resistance in hiring Rich during the first round of hiring, but during secondary hiring and subsequent hiring to accommodate the secondary expansion of the operation, there was serious resistance, and the immobility of labor became a serious issue.

Hiring of new workers depends purely on whether or not unemployed workers are available. This is an unsophisticated understanding of labor mobility, which has been foolishly accepted in the theory of economics. Whether or not a firm can hire in a timely manner new workers does not necessarily depend on the availability of unemployed workers, but depend on the degree of activities of redistribution of power and income within a firm or the willingness of hiring managers. Economic theories have ignored this aspect of life in business in the past.

Here is the detailed story of the interview, which reveals why the "disconnect" mentioned above exists, or why the local manager seeks his own goal or why the local manger is occupied with the activities of redistribution of power and income. The local hiring manager who is away physically from the main offices has an opportunity to seek to retain his power and his high income, thus acts on his own behalf, not for the benefit of the firm when goals are in conflict. Most Fortune 500 corporations have a nationwide distribution of local offices, and each local office acts independently under a local manager, often called a district manager. Some or many larger corporations also have regional managers (who are close to the main office that supervises the district mangers.)

Rich does not want to be replicated by new workers, or Rich wants to maintain his territory by himself. Yet, Rich, is required to hire new workers. So Rich has to find a way to deter many new applicants from applying for a job. Rich's efforts last quite some time and he is under pressure to hire new workers. Meanwhile, Oxford's expansion of their operation is cut back.

On Monday, Rich interviewed Jenny. Rich told Jenny that a worker must make 150 phone calls every day and is offered a salary of $35,000 plus bonus. (We do not know if the 150 calls per day rule is true or not; he might have made up this number to discourage any new applicant from working for the firm.) The major reason Jenny did not accept the offer was the 150 calls per day she had to make (like a slave) was not conducive to her life style. Beside, the salary was too low. Jenny asked Rick to look at market salaries for a hospital specialist (which had been her profession with 8 years of experience) and she asked him to make some wage adjustment.

The next day Rich called Jenny and told her, "My boss and I had a serious discussion and we now offer $45,000, since today the hospital specialist gets paid $95,000." Jenny asked him to raise her salary to $50,0000 to $55,000. Rich said that he had to propose to the home office of that amount. Then Jenny said that she would take $45,000. But Rich insisted that he would send the request to the home office, and Jenny could not settle for $45,000.

After the above conversation, Rich never called Jenny for one month. At the end of 40 days of silence, Rich sent the message to Jenny, informing her that she was not hired, and it was the end of the story. Oxford corporation continued to struggle because it was unable to hire new workers.

2) Aventis Corporation

This case study is presented to demonstrate how real it is that the district managers would be unwilling to support hiring of massive numbers of new workers or how they deter the hiring a massive number of new workers. The story shows that the main corporate office knows about it.

Aventis is a large pharmaceutical corporation, which is one of Fortune 500 corporation. It invented a new drug and put it in the market in the summer of 2015. It needed a large sales force to visit hospitals and meet with doctors to introduce their new drug. So Aventis began an aggressive campaign to hire a massive number of new workers for their sale force. It knew that timing is crucial and needed to hire a large number of new workers quickly in its nationwide campaign.

However, they were aware from past experience that its district managers would not support such a massive hiring of new workers but would be pretend to hire new workers. So the home office took an aggressive approach; the home office itself advertised nationwide for a new sales force, bypassing the district managers.

Here is an example. The Dallas area advertised, but new applicants were informed to call a lady, "Kate," from the home office. A young lady, "Betty," who had ten years of experience in the pharmaceutical industry, called from her apartment in Dallas. Kate told Betty that she (Kate) would select 3 candidates and give these 3 candidates to the local district managers who would choose the new applicants. So Betty sent her resume and application paper to Kate. Betty never got the reply to her application. She had no idea whether Kate nor the district manager chose Betty. It is very likely that the district managers did not choose Betty. In another words, the method of partial bypassing the district mangers did not work.In January 2016, Aventis was still advertising the same position which was advertised in July 2015. So labor immobility continued at Aventis. This story shows how hard it is to hire new workers in a massive number in a short period. It is not easy to hire so quickly and in a short period as long as the district managers are unwilling to hire, which is the case for most of Fortune 500 corporations or large corporations in the U.S.

3) Sears

Sears is one of Fortune 100 corporations. Yet it became a leading progressive corporation which has understood the labor mobility issue very well and has taken bold action in hiring massive number of new workers. One of its divisions instituted a system, under which once a new applicant applies for a job at the carrier fair for example, the company or the home office-appointed national recruiter must interview the applicant. (In the past, the district mangers or hiring managers of most large corporations either did not reply to new applicant or just gave large numbers of tests.) Once the national recruiter sends selected applicants, after the interview, to district managers, the district managers are required interview with the new applicants. (In the past, the district managers seldom interview the highly qualified new job applicants.) In case the district managers delay interview, the national recruiter would send the message to begin the interview and hire the workers if they agree. (In the past, the district managers used to delay the interview or even not interview at all, especially new applicants were highly qualified one.) What an incredibly progressive approach to carry out the massive number of hiring new workers! Sears learned from the experience how the district mangers acted when it came to massive hiring of workers and took a brave action to carry out their plan, a practice which immensely impacted the mobility of labor.

At this time, an action of Sears is an exception or rare case among the large corporations or and many people were not aware of this fact. The issue of immobility of labor among Fortune 500 corporations is still a mystery to many corporations and of course to the public in general it is mysterious or unthinkable.

4) Summary

I have presented three case studies. First is the Oxford Corporation. Its main office did not interfere directly with the hiring practice of the district (or hiring) manager, although they recognized labor immobility or knew the district manager's activities of redistribution of power and income. Consequently, their operation slowed down because of the labor immobility or it failure to create labor mobility. (If all large corporations acted in this way, surely growth rate of GDP would decline drastically, as they are not able to find enough workers to expand their operation.) At the second, the Aventis Corporation, the main office partially intervened in hiring practice of the district managers, yet failed to create labor mobility. In the third, surely Sears, at the main office aggressively intervened in hiring practice of the district managers, an act which immensely facilitated the labor mobility.

All three cases studies had proven that all of them were aware of the disconnect between the district managers (or hiring managers) and the home office. They were all aware of the fact that district managers' activities of redistribution of power and income and such activities had caused the serious labor immobility. The above proof of this awareness of the home offices of major large corporations was one of the major accomplishments of the above case studies. But economists were not aware that such activities of the district manager had caused labor immobility problem, which prevented the U.S. economy from having continuous expansion of GDP. This awareness of the home office of the large corporations had been kept secret and public were unaware of the above fact. Meanwhile, new job applicants were discouraged from getting any response from employers and constantly migrating into the non-labor force category.

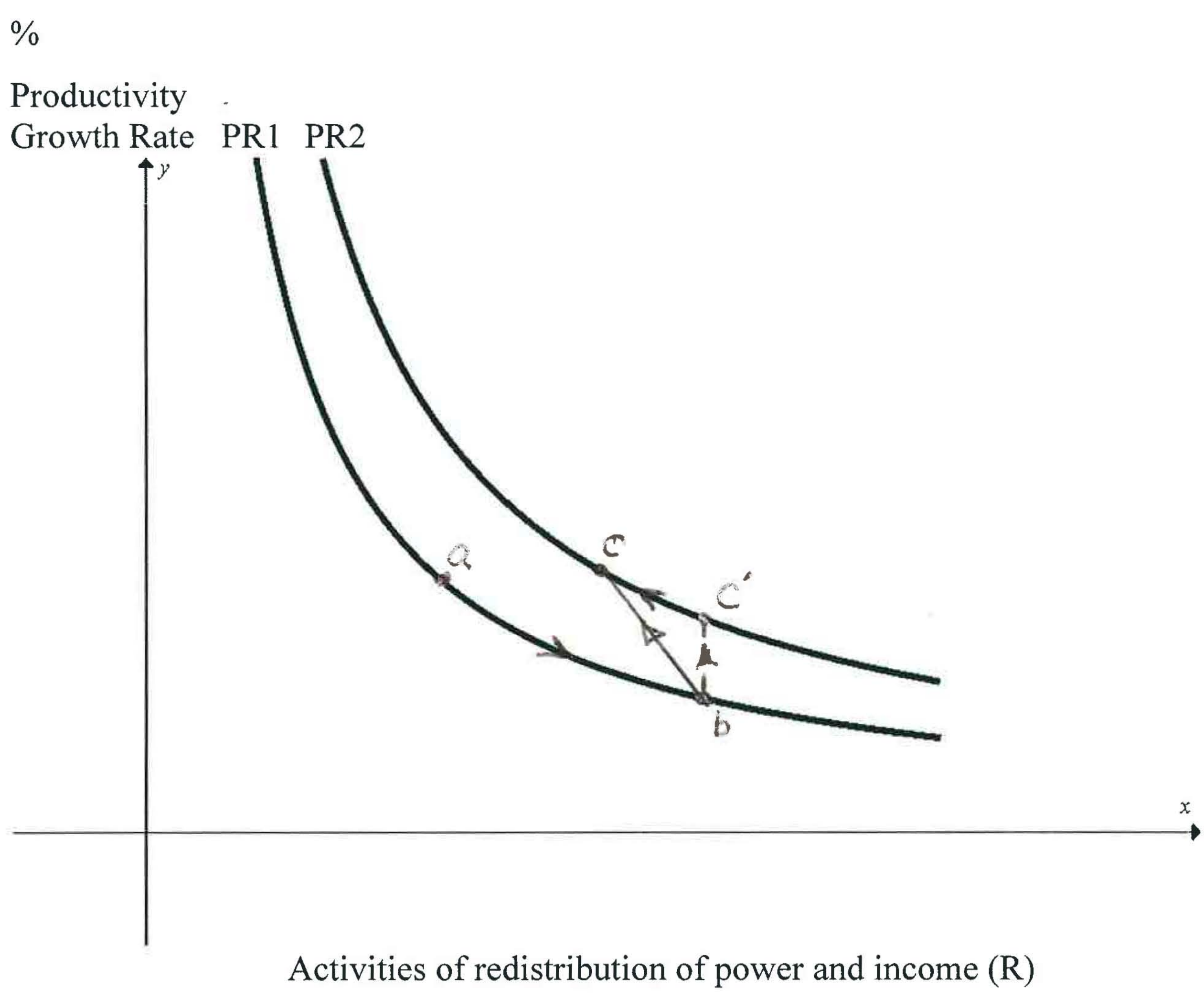
Thus, a growing number of large corporations such as Fortune 500 corporations are instituting the program under which participating corporations are required to have their national recruiter appointed by the home office (in a rare case like Sears) or their local district managers to interview with the new job applicants. Most of cases are the latter. In the past, hiring managers of corporations did not respond to new job applicants, gave them many tests, or seldom responded to the new job applicants when they applied for a job.

Now, many large corporations are beginning to institute the program which requires them to interview new job applicants once they apply for a job. It is beginning of hope of creating labor mobility, but it does not mean that it would be end of the labor immobility issues. The battle of creating labor mobility still continues. For example, Cintas, a uniform company replied to a new job applicant one month after a new job applicant applied for a job. Texas Utility had sent a message to a new applicant for a job interview two months after the new job applicant applied for a job. The worst case, Wage War Corporation contacted the new job applicant for a job interview. When the new applicant went to interview, the hiring manager who was supposed to interview never showed up, and two secretarial staffs interviewed the new applicant, giving the job description which was totally different from what she was told at the beginning when she met them at the carrier fair. Sears' case is rare and exceptional; the national recruiter of Sears sent interview message immediately within a few days after a new job applicant applied for a job, and the new applicant interviewed immediately with the national recruiter, and arrangement was made to interview with the local district manager.

Now if we apply our case studies to the newly developed economic theory[6], we have the figure 2 shown below. The U.S. economy was moving along the productivity curve from a to b as activities of redistribution of power and income increased. In order to move out of the stagnant stage into prosperous stage, we need to move from b to c by shifting the productivity curve, thus raising labor productivity. However, it take two steps to accomplish this; first, technological advancement will attempt to shift the productivity curve upward moving us from b to c', second, the reversal of activity of redistribution of power and income, thus moving along the second productivity curve from c' to c. The attempt to shift the productivity curve upward moving from b to c' will fail unless its attempt accompanies the movement from c' to c. In other words, unless the corporate home office aggressively interferes with the district managers' activities of redistribution of power and income, just like Sears Corporation did, technological

[6] See Paul Kim, "Right Perspective for U.S. Growth Rate," p.1-8. http://scholarspace.jccc.edu/econpapers/8 or see Google.

advancement to shift the productivity curve from b to c' will fail. The aggressive act of the home office interfering with the district mangers' hiring activities to create labor mobility by many corporations seems to be essential for the continuous expansion of U.S. economy to continuous expand, not its fluctuating. If this happens, there is hope for the U.S. return to prosperous period.



<u>Productivity Curve</u>

FIGURE 2

5. CONCLUDING REMARK

Fortune 500 corporations in each city, operates under the leadership of a district manager, under whom a giant corporation operates like a small aggressive institution. This makes U.S. large corporations highly efficient. However, such times have changed, many people do not realize that efficiency alone is not key issue in today's globalized economy. A new dimension of our economic life has been developed as the U.S. has entered a maturity of an advanced stage of economic growth. Activities of redistribution of power and life have profoundly shaped the way in which an institution operates, especially the way in which new workers are hired when massive numbers of new workers are needed to be hired.

Growing numbers of progressive large corporations have realized that it is almost impossible to hire a massive number of new workers when they expand their operation, if the corporation is left alone in the hands of the district mangers who are the also hiring mangers. (But economists today are not aware of this problem yet.) The above case studies had proven the awareness of the problem among some of Fortune 500 corporations with respect to labor immobility when it came to hiring massive numbers of workers. Some of those Fortune 500 corporations began either to intervene in the way in which the district managers operate in hiring workers or to bypass the district managers. However, many large corporations are unaware of the problem or have not taken serious actions about the issue that impact the labor mobility. Again, economists are unaware of this problem of labor immobility due to the activities of redistribution of power and income. I am the first economist who has put this labor immobility issue into developing a new economic theory[7] with respect to activities of redistribution of power and income.

The major reason why the GDP fluctuated during the post Great Recession instead of having the GDP continuously expanding after the recovery began was the development of labor immobility. It was the unwillingness of the district managers to hire large numbers of new workers that caused the labor immobility, which prevented the U.S. economy from continuous expansion, leading to the fluctuation of the GDP.

Without understanding the above the nature of the institutions and the behavior of the district managers, the economic policies mobilizing billions of dollars or keeping interest rate to (near) zero, have failed to bring economic growth rate to acceptable rate (say 3% to 4%). As noted before in the account of Japan[8], one has to look carefully at a tiny part of big picture to solve a big problem. Without understanding of the behavior of the district mangers or their hidden motives, (which you may call so small that you can not see it,) it is impossible to determine why the GDP growth rate has kept sliding back every time it begins to expand. Such a huge problem of the contraction of GDP growth rate can be traced back to the source of the problem only if we can notice and are willing to investigate into such seemingly unimportant individual district managers (or hiring managers) of corporations.

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[7] See Paul Kim, "Right Perspective for U.S. Growth Rate," p.11-15. http://scholarspace.jccc.edu/econpapers/8 or see Google.
8 See Paul Kim, "A New Economic Growth Theory: An Obstacle to Economic Growth," June-2014. http://scholarspace:jccc.edu/econpapers/4 or see Google.

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